

NEW CENTURY IDA PROGRAM

Homeownership Policies and Procedures

Letter of Agreement

This Letter of Agreement, between the *New Century IDA* Partnership (“the partnership”) and the IDA program participant listed at the bottom of this agreement (“the Participant”), details responsibilities of both parties in connection with the New Century IDA program (“the Program”).

<i>New Century IDA Program Responsibilities</i>
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The *New Century IDA* Partnership agrees:

- To offer graduates of the New Century IDA Economic Literacy Classes a homeownership training class held by the Center for Homeownership
- Upon completion of the homeownership class, IDA participants will be offered personalized homeownership counseling through the Forsyth County Department of Housing.
- The County’s homeownership counselor will assist the IDA participant in obtaining first mortgage financing; will review the participants’ eligibility and applicability for various subsidized financing programs; will assist in preparation for loan closing; will attend the closing; and will provide other personalized counseling services as needed.
- To provide IDA participants with a list of certified real estate sales persons who are familiar with the IDA program.
- To provide a list of certified mortgage lenders who are familiar with the IDA program.
- ESR staff will provide IDA participants with the authorization necessary for the withdrawal of a portion of their IDA savings for good faith deposits.

<i>New Century IDA Participant Responsibilities</i>
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The Participant agrees to:

- Continue paying all bills on time and to not incur any added debt and to continue paying off old debt.
- Attend and earn a certificate of completion from the Center for Homeownership training class.
- Make contact with the County’s Homeownership Counselor upon completion of the homeownership training class.

- Become pre-qualified by at least three (3) preferred first mortgage lenders and be provided a good faith estimate from these lenders and share this information with the County's home counselor.
- Sign a buyer agency agreement with a real estate agent listed on the IDA preferred agent directory
- Search for homes within the price range indicated by the loan pre-qualification.
- If a soft second mortgage is requested along with the IDA funds, the purchase price of the home cannot exceed \$125,000, with the exception of accommodating a large family in a bigger home.
- Notify the county home counselor after finding a suitable affordable home and prior to making an offer on the home.
- Notify ESR 24 hours in advance of withdrawing IDA savings for good faith deposit.

<p align="center"><i>New Century IDA First Mortgage Requirements</i></p>

- The IDA program strongly urges participants to use IDA approved first mortgage lenders. These are the mortgage companies that have been certified by the IDA program as being knowledgeable regarding IDA first mortgage requirements and have some quality experience working with IDA clients and the City and County's second mortgage products.
- The IDA program requires the first mortgage to be a 30 year fixed mortgage at a fixed rate of interest. A buy-down program maybe acceptable in situations where the terms are reasonable and fully understood by the buyer and does not have the potential for subjecting the buyer to payments that will become more than the buyer can financially manage.
- The lender cannot charge more than 1% origination fee and cannot collect any discount fees from the buyer. Excessive or non-traditional fees will not be allowed.
- Housing Debt to Income should be no more than 32%
- Total Debt to Income should be no higher than 41%
- The interest rate should be competitive and similar to what other lenders would charge based on the credit of the participant.
- IDA funds can only be used for down-payment assistance, closing costs or pre-paid items. In some instances the buyer may use the IDA funds for the purchase of appliances if they are included into the contract amount. The buyer cannot walk away from closing with any cash.
- Participants are encouraged to seek out NCHFA Single-Family Revenue (MRB) first mortgages when it is in their best interests.

- When buying in the rural areas of Forsyth County, buyers should be encouraged to participate in the United States Department of Agriculture's Rural Development Subsidized Program.
- IDA participants are discouraged from purchasing credit life insurance on their first mortgage.

<p><i>New Century IDA Real Estate Location, Type, & Other Characteristics</i></p>
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- The home must be located in Forsyth County. It can be in or outside the city limits of Winston-Salem
- The home must be inspected by a professional home inspector. If the home is new construction a professional inspection may not be required. The IDA staff will work with the participant to determine the items that must be repaired by the seller prior to closing. If the home is not under a licensed termite bond then it must be inspected for termites by a licensed pest control company.
- The IDA participant may choose to purchase a new or existing home. Also, the IDA participant may choose to have a new home constructed. However, if the IDA buyer chooses to have a home built, only funds saved by the IDA buyer can be used for the good faith deposit. The IDA funds from the New Century program and the City's and County's matching funds can only be presented at the closing of the home upon its completion and its issuance of a certificate of occupancy.
- Single family, condominiums, and townhouses are allowed to be purchased under the IDA program. Modular homes built to NC Building Code Standards are allowed, but manufactured housing cannot be purchased with IDA funds.

<p>Certification</p>

I have read and understand the contents of this agreement and I agree to meet my responsibilities under it. I also understand that any violations of the above statements will result in expulsion from the *New Century IDA* Program Home Ownership Policies and Procedures Letter of Agreement. I understand that nothing in this Participation Letter of Agreement holds members of the *New Century IDA* Partnership liable for the success of each individual participant. I understand it is my responsibility as a Home-Ownership *New Century IDA* participant to meet the eligibility requirements of the local lenders to qualify for a first mortgage.

Participant's Name (*please print*):

Participant's Signature: _____

Date: _____

New Century IDA Partnership Representative (*please print*): _____

Representative's Signature: _____

Date: _____